

1 **State of Arkansas**
2 **80th General Assembly**
3 **Regular Session, 1995**
4 **By: Representative B. Wood**

A Bill

ACT 542 OF 1995
HOUSE BILL 1325

For An Act To Be Entitled

8 "AN ACT TO AMEND VARIOUS SECTIONS OF THE TITLE 24, CHAPTER
9 7, OF THE ARKANSAS CODE OF 1987 ANNOTATED TO CHANGE THE
10 AMOUNT OF SERVICE REQUIRED FOR ACTIVE MEMBERSHIP; TO MAKE
11 TECHNICAL CORRECTIONS FOR THE TEACHER RETIREMENT SYSTEM;
12 TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."

Subtitle

14 "TO AMEND THE TEACHER RETIREMENT SYSTEM
15 LAWS TO CHANGE THE AMOUNT OF SERVICE
16 REQUIRED FOR ACTIVE MEMBERSHIP AND MAKE
17 TECHNICAL CORRECTIONS."
18

19
20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

21

22 SECTION 1. Arkansas Code § 24-7-202(14) is amended to read as follows:

23 "(14) (A) Salary means the recurring remuneration paid an employee for
24 personal services rendered by the employee in a position covered by the
25 system.

26 (B) Should a portion of an employee's remuneration be paid other
27 than in cash, the cash value of the remuneration shall be established by the
28 system in an amount not to exceed the amount the employee is required to
29 report for federal income tax purposes.

30 (C) In determining salary, no consideration shall be given to any
31 nonrecurring single-sum payment paid by an employer, any employer
32 contributions to any employee benefit plan, except cafeteria plans as defined
33 in § 21-5-901, or any other unusual or nonrecurring remuneration or stipends
34 paid by an employer or other educational agency which are six hundred dollars
35 (\$600) or less in amount. For salary purposes, the amounts shall not be
36 cumulative.

1 (D) Money which is in lieu of remuneration and which is used by
2 an employer to purchase a qualified tax-sheltered annuity or a life insurance
3 policy for an employee shall be considered as salary for system purposes.

4 (E) An employee who is receiving remuneration under both a
5 regular contract and a purchased contract or under both a regular contract and
6 a contract won through litigation shall have only the greater of the two (2)
7 amounts considered as salary for system purposes.

8 (F) Should an employee make a charitable donation or return any
9 part of his salary to his employer, the amount of his recurring remuneration
10 otherwise usable as salary shall be reduced by such amount or amounts to
11 arrive at his salary for system purposes.

12 (G) In case of any dispute concerning an employee's salary for
13 system purposes, the system shall have the power to settle the dispute;"

14
15 SECTION 2. Arkansas Code § 24-7-406(b) is amended to read as follows:

16 "(b) (1) Except as provided otherwise in this section, the contributions
17 of a member to the system shall be the amounts set forth in this subsection.

18 (2) Each member who first became a member July 1, 1971, or later
19 shall contribute to the system six percent (6%) of his salary.

20 (3) Member contributions before July 1, 1969, shall be in
21 accordance with provisions in force before July 1, 1969.

22 (4) For each member who first became a member before July 1,
23 1971, member contributions for the period after June 30, 1969, shall be six
24 percent (6%) of the first seven thousand eight hundred dollars (\$7,800) of his
25 annual salary, unless he shall have elected, in accordance with rules and
26 regulations established by the board, to contribute six percent (6%) of his
27 full salary for the period after June 30, 1969. If the election is made before
28 July 1, 1984, the member must contribute to the system the difference between
29 full salary member contributions and member contributions based on seven
30 thousand eight hundred dollars (\$7,800) annual covered salary retroactive to
31 July 1, 1969, or to the actual date of employment, whichever is later, plus
32 regular interest from the dates the added contributions would normally have
33 been received by the system to the date of the actual added contributions. If
34 the election is made July 1, 1984, or later, the member must contribute to the
35 system both the added member contributions and the added employer

1 contributions which would have been paid to the system had the member's full
2 salary always been covered, plus regular interest from the dates the added
3 contributions would normally have been received by the system to the date of
4 the actual added contributions. The regular interest and added employer
5 contributions shall be considered member contributions for purposes of the
6 system; provided however, that any former active member who returns to covered
7 employment on or after July 1, 1995, and who elects to make contributions to
8 the system, shall contribute on his full salary.

9 (5) Members who left covered employment before July 1, 1985, and
10 who had annual compensation of seven thousand eight hundred dollars (\$7,800)
11 or less shall, upon their return to covered employment, have full salary
12 considered for purposes of the system.

13 (6) Contributions shall be required on all salary earned in
14 covered employment during the fiscal year in which membership begins."
15

16 SECTION 3. Arkansas Code § 24-7-406(c) is amended to read as follows:

17 "(c) (1) Each employer shall deduct the member contributions provided
18 for in this section from the salary of each member on each and every payroll,
19 for each and every payroll period, from the date of his entrance into the
20 system until he retires, and the employer shall remit the contributions to the
21 system; however, a member who is receiving remuneration under both a regular
22 contract and a purchased contract, or under both a regular contract and a
23 contract won through litigation, shall have only the greater of the two (2)
24 amounts considered as salary for the purposes of the system. Should the
25 employer fail at any time to report the salary of a member and remit the
26 contributions to the system, the system shall have the right to collect from
27 the employee and the employer the contributions due, if any, from each,
28 together with regular interest beginning with the subsequent fiscal year;
29 provided further, in no case shall a member be given credit for service
30 rendered until any contributions and interest due from each are paid in full.

31 (2) The member's contributions provided for in this section shall
32 be made notwithstanding that the minimum salary provided by law for any member
33 shall be thereby changed.

34 (3) Each member shall be deemed to consent and agree to the
35 deductions made and provided for in this section. Payment of his salary less

1 the deductions shall be a full and complete discharge and acquittance of all
2 claims and demands whatsoever for the services rendered by the member during
3 the period covered by the payment, except as to benefits provided by the
4 system.

5 (4) The members' contributions, so deducted from their salaries,
6 shall be remitted to the system in such manner and form and in such frequency
7 and shall be accompanied by such supporting data as the board shall prescribe
8 from time to time.

9 (5) Money used by an employer to purchase a qualified tax-
10 sheltered annuity or a life insurance policy for a member in lieu of salary
11 shall be considered as salary for purposes of the system. Retainers,
12 consultant's fees, lump sum payments for unused sick leave, special payments
13 not in the form of regular remuneration, and stipends paid by an employer or
14 other educational agency which are six hundred dollars (\$600) or less in
15 amount shall not be considered salary for the purposes of the system.
16 Further, stipend amounts shall not be cumulative."

17

18 SECTION 4. Arkansas Code § 24-7-502 is amended to read as follows:

19 "24-7-502. Termination of active membership.

20 (a) (1) When a member is no longer employed by an employer in a position
21 covered by the system, he shall thereupon cease to be an active member of the
22 system. Unless he becomes a retirant or an inactive member as provided in this
23 act, his credited service shall be forfeited by him upon termination of his
24 active membership.

25 (2) If a former active member has not become a retirant and later
26 becomes reemployed by an employer in a position covered by the system, he
27 shall again become an active member upon reemployment.

28 (3) If he becomes reemployed from inactive member status, he
29 shall immediately begin adding to his previous credited service; but if his
30 service during his last such reemployment is for fewer than thirty (30) days,
31 he shall be considered to be an inactive member at the termination of such
32 reemployed service, and the only monthly benefits payable shall be those
33 provided by § 24-7-707.

34 (4) If he becomes reemployed from neither retirant nor inactive
35 member status, after completing thirty (30) days of service during his last

1 such reemployment, the active member shall receive the indicated credited
2 service for the credited service forfeited by him if he returns to the system
3 the indicated amount, as follows:

4 (A) He shall receive his total forfeited credited service
5 if he returns the amount he received therefrom, together with regular interest
6 from the date of withdrawal to the date of repayment; or

7 (B) If a portion of his forfeited credited service has been
8 credited him under the provisions of a publicly supported teacher retirement
9 system of another state, he shall receive the portion of his forfeited
10 credited service not so credited by the other system if he returns the amount
11 he received from this system for that portion of his credited service not so
12 credited by the other system, together with regular interest from the date of
13 withdrawal to the date of repayment.

14 (5) In addition to the forfeited credited service, the active
15 member shall receive credit for his other previous service after July 1, 1937,
16 upon his paying to the system the member contributions in effect during the
17 previous service, together with regular interest from the dates of the service
18 to the date of payment; for previous service rendered before July 1, 1971,
19 service credit shall be permitted for service in a fiscal school year only if
20 at least one hundred twenty (120) days of service were rendered in the fiscal
21 school year. To establish credit for previous service, a member must pay to
22 the system both member and employer contributions, plus regular interest from
23 the dates the contributions would normally have been received by the system to
24 the date of actual payment.

25 (b) Upon a member's retirement, he shall cease to be a member and,
26 except as otherwise provided in this act, he shall not again become a member
27 of the system."

28

29 SECTION 5. Arkansas Code § 24-7-606 is amended to read as follows:

30 "24-7-606. Service for leave of absence to obtain advanced degree.

31 (a) From and after June 28, 1985, any public school teacher or
32 administrator who is a member of the system and takes a leave of absence from
33 a school in order to obtain an advanced degree at an institution of higher
34 learning or to fulfill the requirements of a scholarship or grant shall be
35 eligible, upon application, to receive credited service in the system for the

1 time of actual enrollment in the institution. Evidence of at least one
2 hundred twenty (120) days' enrollment shall be presented with the application.

3 (b) The service shall be credited in accordance with § 24-7-601.

4 (c) Payment for the service shall be based on the annual salary earned
5 for the fiscal year preceding the leave and the total of the member
6 contribution percent in effect during that fiscal school year plus the
7 employer contribution percent necessary to meet the financial objective of
8 this section at that time, as determined by the actuary's most recent
9 actuarial valuation, plus regular interest from the end of the fiscal year in
10 which the leave is taken until payment is made in full.

11 (d) The payment shall be credited to the member's account in the
12 members' deposit account but shall be in addition to regular member
13 contributions to the account."

14

15 SECTION 6. Arkansas Code § 24-7-705 is amended to read as follows:

16 "24-7-705. Life annuity.

17 (a) (1) Upon a member's retirement, he shall receive a straight life
18 annuity equal to his number of years of credited service for which member
19 contributions were made as provided in § 24-7-406, multiplied by two and five
20 hundredths percent (2.05%) of his final average salary; or a straight life
21 annuity equal to his number of years of credited service rendered after June
22 30, 1986, for which no member contributions were made as provided in § 24-7-
23 406, multiplied by one and twenty-nine hundredths percent (1.29%) of his final
24 average salary, or a combination of both.

25 (2) For a member contributing on only the first seven thousand
26 eight hundred dollars (\$7,800) of each annual salary after June 30, 1969, each
27 annual salary used in computing his final average salary shall be limited to a
28 maximum of seven thousand eight hundred dollars (\$7,800). The limit shall
29 apply to his total credited service;

30 (3) For a member retiring with benefits to be computed on both
31 contributory and noncontributory service under subsection (a) of this section,
32 and free military service first credited after July 1, 1986, under § 24-7-602,
33 the amount of military service to be used in the computation of benefits under
34 subsection (a) shall be prorated on the ratio of membership service under each
35 plan to his total membership service, notwithstanding the fact that some of

1 the military service shall be credited as noncontributory service before July
2 1, 1986.

3 (4) All purchased military service, all out-of-state service
4 credited under § 24-7-603, and all overseas service credited under § 24-7-604
5 shall be counted as contributory service, and benefits based on this service
6 shall be computed using the contributory percent of final average salary set
7 forth in subsection (a) of this section;

8 (b)(1) The minimum straight life annuity for a member
9 retiring after June 30, 1965, but before July 1, 1986, shall be one hundred
10 fifty dollars (\$150) per month.

11 (2) For a member retiring July 1, 1986, or later, the minimum
12 straight life annuity shall be:

13 (A) One hundred fifty dollars (\$150) per month if the
14 member has no noncontributory credited service of the type specified in
15 subdivision (a)(1) of this section;

16 (B) Ninety-four dollars (\$94.00) per month if the member
17 has only credited service of the noncontributory type specified in subdivision
18 (a)(1) of this section; or

19 (C) If the member has a mixture of credited service, the
20 monthly amount shall be prorated between ninety-four dollars (\$94.00) and one
21 hundred fifty dollars (\$150) according to the relationship between his
22 noncontributory credited service and his total credited service; provided,
23 however, if the member has at least ten (10) years of contributory service,
24 regardless of his number of years of noncontributory service, his monthly
25 amount shall not be less than one hundred fifty dollars (\$150).

26 (c) As of 1986, the member contributory benefit program and the member
27 noncontributory benefit program were related by requiring the same employer
28 contribution rate; it is intended that this relationship be preserved by
29 future changes, if any, in benefit programs.

30 (d) Upon a member's retirement, as provided in this act, he shall have
31 the right to elect an option provided for in § 24-7-706.

32 (e) A member retiring before July 1, 1987, shall receive an annuity in
33 accordance with provisions of law in force before July 1, 1987."

34

35 SECTION 7. All provisions of this act of general and permanent nature

1 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
2 Revision Commission shall incorporate the same in the Code.

3

4 SECTION 8. If any provisions of this act or the application thereof to
5 any person or circumstance is held invalid, the invalidity shall not affect
6 other provisions or applications of the act which can be given effect without
7 the invalid provisions or application, and to this end the provisions of this
8 act are declared to be severable.

9

10 SECTION 9. All laws and parts of laws in conflict with this act are
11 hereby repealed.

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13 SECTION 10. Emergency. It is hereby found and determined by the
14 Eightieth General Assembly of the State of Arkansas that changing conditions
15 have dictated that certain provisions of the Teacher Retirement System law
16 need to be revised and updated, that these changes are necessary for the
17 System to continue with proper management and administration, and that the
18 revisions in the law are essential to the continued effective operation of the
19 Teacher Retirement System. Therefore, an emergency is hereby declared to
20 exist and this act being necessary for the immediate preservation of the
21 public peace, health and safety shall be in full force and effect from and
22 after July 1, 1995.

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24 APPROVED: 3-7-95

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